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June 26, 2015

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Re: File Reference No. EITF – 15B: Liabilities-Extinguishment of Liabilities (Subtopic 405-20)  
– Recognition of Breakage for Certain Prepaid Stored-Value Cards

Dear FASB members:

Thank you for the opportunity to comment on the proposed scope exception to the derecognition guidance in Subtopic 405-20, *Liabilities-Extinguishment of Liabilities*. We appreciate the opportunity to comment on the amendments and have provided below our responses to questions posed by the FASB.

*Question 1: Should the scope of the proposed amendments be limited to prepaid stored-value card liabilities resulting from the sale of cards with the characteristics specified in the proposed Update? If not, what other liabilities should be included in the scope of the proposed Update?*

We do not believe the scope of the proposed amendments should be limited to prepaid stored-value card liabilities resulting from the sale of cards with the characteristics specified in the proposed Update. American Express believes that permitting breakage for other types of liabilities arising from cash received from customers and held for their future use, such as travelers cheques, credit balances on credit card accounts, or other types of unclaimed property, in addition to prepaid stored-value cards is more closely aligned with the economics of these products than a perpetual liability accounting model. Thus, we believe the scope of the proposed amendments should be expanded to include other liabilities generated from cash received from customers for which breakage is expected or for which the likelihood of payment required by the debtor becomes remote.

The Task Force members considered whether certain customer loyalty program liabilities should be included within the scope of the proposed amendments. American Express agrees with the decision of the Task Force to exclude customer loyalty program liabilities from the scope of the proposed Update. Loyalty points earned by customers are economically and substantively different in nature from prepaid stored-value cards and other liabilities that are generated through

cash received and held for a customer's future use. Further, within the credit card industry, the overall methodology for estimating and measuring liabilities for loyalty points that are expected to be redeemed is generally consistent and adequately disclosed in the financial statements.

*Question 2: If an entity expects to be entitled to a breakage amount, should a prepaid stored-value card liability within the scope of the proposed amendments be derecognized in proportion to the pattern of rights expected to be exercised by the card holder only to the extent that it is probable that a significant reversal of the recognized breakage amount will not subsequently occur? If an entity does not expect to be entitled to a breakage amount, should the liability be derecognized when the likelihood of the customer exercising its remaining rights becomes remote? If not, what breakage model would be appropriate?*

We believe breakage for prepaid stored-value card liabilities and other similar financial liabilities (e.g., travelers cheques) should be derecognized in proportion to the pattern of rights expected to be exercised by the customer if an entity has sufficient and reliable information to estimate the amount of breakage. American Express agrees that it must be probable that a significant reversal of the recognized breakage amount will not subsequently occur. If an entity does not have sufficiently reliable information to estimate the amount of breakage or does not expect to be entitled to a breakage amount, we believe breakage should be recorded when the likelihood of the customer exercising its rights becomes remote.

*Question 3: Should an entity be required to provide the disclosures specified in this proposed Update? Should any other disclosures be required? If yes, please explain what disclosures should be provided.*

American Express supports the requirement to disclose the methodology used to recognize breakage and significant judgments made in applying that methodology. We do not believe additional disclosures beyond those in the proposed Update are necessary.

*Question 4: Should the proposed amendments be applied using a modified retrospective transition method (requiring a cumulative-effect adjustment as of the beginning of the annual period in which the guidance is effective)? If not, please explain why.*

We agree with application of the proposed amendments using a modified retrospective transition method.

*Question 5: How much time would be needed to implement the proposed amendments? Should early adoption be permitted?*

The time needed to implement the proposed amendments will ultimately depend upon whether the scope is expanded and whether the derecognition methodology applied is a change from current accounting. We support the proposal to allow for early adoption of the standard and

Page 3 of 3

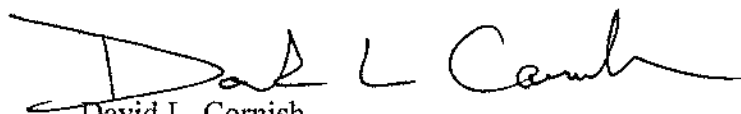
believe that adoption should occur no later than the entity's year of adoption for ASC 606 *Revenue from Contracts with Customers*.

*Question 6: Do entities other than public business entities (that is, private companies and not-for-profit entities) need additional time to apply the proposed amendments? Why or why not?*

Not relevant to American Express.

American Express Company appreciates the opportunity to provide our comments on the proposed amendments to the derecognition guidance in Subtopic 405-20, *Liabilities-Extinguishment of Liabilities*. If you have any questions regarding our letter or would like to discuss our views in further detail, please feel free to contact me directly at (203) 658-9303.

Sincerely,

A handwritten signature in black ink, appearing to read "David L. Cornish". The signature is fluid and cursive, with a long horizontal stroke at the beginning.

David L. Cornish  
SVP and Deputy Corporate Controller  
American Express Company

cc:

Linda Zukauckas, EVP and Corporate Controller, American Express Company